

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-3-E - ORDER NO. 2012-779
SEPTEMBER 28, 2012

IN RE: Annual Review of Base Rates for Fuel Costs)	ORDER APPROVING
of Duke Energy Carolinas, LLC)	BASE RATES FOR FUEL
)	COSTS AND ADOPTING
)	SETTLEMENT
)	AGREEMENT

I. BACKGROUND

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the annual review of base rates for fuel costs of Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or the “Company”). The procedure followed by the Commission is set forth in S.C. Code Ann. § 58-27-865 (Supp. 2011), which provides for annual hearings to allow the Commission and all interested parties to review the prudence of the fuel purchasing practices and policies of an electrical utility and for the Commission to determine if any adjustment in a utility’s fuel cost recovery mechanism is necessary and reasonable.

The parties appearing before the Commission in this Docket were Duke Energy Carolinas, LLC, the South Carolina Office of Regulatory Staff (“ORS”), and the South Carolina Energy Users Committee (“SCEUC”) (collectively, referred to as the “Parties” or sometimes individually as a “Party”). Prior to the hearing, the Parties filed a Settlement Agreement dated August 20, 2012, (the “Settlement Agreement”) with the

Commission. The Settlement Agreement, including its three (3) exhibits, is attached hereto as Order Exhibit 1 and is incorporated in and made part of this Order.

II. JURISDICTION OF THE COMMISSION

In accordance with S.C. Code Ann. § 58-27-140(1) (Supp. 2011), the Commission may, upon petition, “ascertain and fix just and reasonable standards, classifications, regulations, practices or service to be furnished, imposed, observed, and followed by any or all electrical utilities.” Further, S.C. Code Ann. § 58-27-865(B) (Supp. 2011) states, in pertinent part, that “[u]pon conducting public hearings in accordance with law, the [C]ommission shall direct each company to place in effect in its base rate an amount designed to recover, during the succeeding twelve months, the fuel costs determined by the [C]ommission to be appropriate for that period, adjusted for the over-recovery or under-recovery from the preceding twelve-month period.”

Consistent with the requirements of S.C. Code Ann. § 58-27-865(B) (Supp. 2011), the Commission convened an evidentiary hearing to determine the reasonableness of the Parties’ settlement and whether acceptance of the settlement is just, fair, and in the public interest.

III. DISCUSSION OF THE HEARING AND THE SETTLEMENT AGREEMENT

The public evidentiary hearing in this matter was held on August 28, 2012, before this Commission with the Honorable David A. Wright presiding as Chairman. Representing the Parties were Brian L. Franklin, Esquire, and Bonnie D. Shealy, Esquire, for the Company; Scott Elliott, Esquire, for SCEUC; and Shannon Bowyer Hudson, Esquire, and Courtney D. Edwards, Esquire, for ORS. At the hearing, the Parties

presented the Settlement Agreement, which was admitted into the record as Hearing Exhibit 1. In the Settlement Agreement, the Parties represented to the Commission that they had discussed the issues presented in this case and determined that each Party's interests and the public interest would be best served by settling all issues pending in this case in accordance with the terms and conditions contained in the Settlement Agreement.

Further, the Parties presented witnesses in support of the Settlement Agreement and various other matters related to the Company's base rates for fuel costs. Duke Energy Carolinas' witnesses Marion Elliott Batson, Joseph A. Miller, Jr., Jim Jessee, David C. Culp, John W. "Bill" Pitesa, and Jane L. McManeus presented direct testimony on behalf of the Company via two panels. Mr. Batson, Mr. Miller, and Mr. Jessee testified on the first panel. Mr. Culp, Mr. Pitesa, and Ms. McManeus testified on the second panel. The pre-filed testimony of all Company witnesses was accepted into the record without objection or cross-examination by the Parties, and the Company witnesses' exhibits were marked as composite Hearing Exhibits 4 through 8 and entered into the record of the case.¹

Company witness John W. Pitesa discussed the performance of Duke Energy Carolinas' nuclear generation fleet during the review period.² He reported to the Commission that Duke Energy Carolinas achieved a net nuclear capacity factor,

¹ Composite Hearing Exhibit 4 consists of the Direct Testimony Exhibits 1 and 2 of M. Elliott Batson; Composite Hearing Exhibit 5 consists of the Direct Testimony Exhibits 1 and 2 of David C. Culp; Composite Hearing Exhibit 6 consists of the Direct Testimony Exhibits 1 and 2 of John W. ("Bill") Pitesa; Hearing Exhibit 7 consists of the Direct Testimony Exhibit 3 of John W. Pitesa under seal; and, Composite Hearing Exhibit 8 consists of the Direct Testimony Exhibits 1 through 8 of Jane L. McManeus.

² On August 15, 2012 in Order No. 2012-620 and pursuant to the Company's request at the hearing, the Commission granted the Motion of Duke Energy Carolinas to treat specific material filed in the present proceeding as confidential. Specifically, the Commission Ordered that Exhibit 3 of Duke Energy Carolinas' witness John W. Pitesa's testimony should be treated as confidential and remain under seal.

excluding reasonable outage time, of 102.88% for the current period, which is above the 92.5% set forth in S.C. Code Ann. § 58-27-865 (Supp. 2011).

Company witness David C. Culp provided further information regarding the Company's nuclear fuel purchasing practices and costs for the review period and described changes expected in the 2012-2013 forecast period.

Company witness Joseph A. Miller, Jr. discussed the performance of the Company's fossil-fueled and hydroelectric generating facilities during the period of June 1, 2011, through May 31, 2012, and their operating efficiency during this review period. Mr. Miller testified that Duke Energy Carolinas' generating system operated efficiently and reliably during the review period.

Company witness Jim Jessee discussed the performance of the Company's natural gas supply procurement practices during the period of June 1, 2011, through May 31, 2012, review period. Mr. Jessee also provided anticipated market conditions for the billing period of October 1, 2012, through September 30, 2013.

Company witness Marion Elliott Batson testified regarding Duke Energy Carolinas' fossil fuel purchasing practices and costs for the period of June 1, 2011, through May 31, 2012, and described related changes forthcoming in the projected period.

Company witness Jane L. McManeus testified regarding the Company's procedures and accounting for fuel, actual fuel costs, and actual environmental costs incurred for the period June 1, 2011, through May 31, 2012, and the associated over/under-recovery of such costs, estimated as of September 30, 2012. Ms. McManeus

also testified to the manner in which the Company had projected its fuel and environmental costs for the period June 1, 2012, through September 30, 2013, and used such projections in developing its proposed fuel factors. Ms. McManeus explained that in compliance with S.C. Code Ann. § 58-27-865(A)(1) (Supp. 2011), the Company calculated an environmental component for the Residential, General Service/Lighting and Industrial customer classes. Environmental costs, and any associated over/or under recovery balance of environmental costs are allocated among the three customer classes based upon firm peak demand. The resulting allocated costs are converted to the environmental component for each class expressed in cents per kWh and added to the fuel component. Next, Ms. McManeus proposed in her direct testimony the combined fuel factors of 1.9612 ¢/kWh for Residential customers, 1.9629 ¢/kWh for General Service/Lighting customers and 1.9658 ¢/kWh for Industrial customers.

Ms. McManeus testified on behalf of the Company regarding the Merger Fuel Savings Decrement Rider. The Merger Fuel Savings Decrement Rider will pass fuel savings to South Carolina retail customers as a result of the Duke Energy Corporation merger with Progress Energy, Inc; therefore, the proposed combined fuel factor excludes the joint dispatch and other savings related to the merger.

Lastly, in recognition of the Settlement Agreement, the Company provided revised McManeus Direct Exhibits 6, 7, and 8, supporting combined fuel factors of 1.9481 ¢/kWh for Residential customers, 1.9525 ¢/kWh for General Service/Lighting customers and 1.9586 ¢/kWh for Industrial customers.

Following the Company witnesses, ORS presented the direct testimony of Ms. Gaby Smith and Mr. Michael R. Cartin, also via panel. Ms. Smith sponsored composite Hearing Exhibit 2 and Mr. Cartin sponsored composite Hearing Exhibit 3.³

Specifically, Ms. Smith testified about the examination carried out by ORS as well as the agreed upon accounting adjustments reflected in the Settlement Agreement. With regard to the true-up of over/under-recovered fuel costs, she testified that ORS analyzed the cumulative over-recovery of the Base Fuel Costs that Duke Energy Carolinas had incurred for the period June 2011, through May 2012, totaling \$41,792,888. On behalf of ORS, Ms. Smith then added the estimated over-recoveries for the months of June through September 2012 to arrive at an estimated cumulative over-recovery balance of \$57,873,577 as of September 2012. Duke Energy Carolinas' cumulative over-recovery, per its testimony in this Docket, as of May 2012 totals \$41,792,000, and as of September 2012, the cumulative over-recovery totals \$57,872,000. The Settlement Agreement stated that the difference between Duke Energy Carolinas' and ORS's cumulative over-recovery as of actual May 2012 totaled \$888. The difference between Duke Energy Carolinas' and ORS's estimated cumulative over-recovery as of September 2012 totals \$1,577. In the Settlement Agreement, the Parties agreed to stipulate to ORS's calculations and adjustments in this matter.

On behalf of ORS, Ms. Smith then analyzed the cumulative over-recovery of the environmental costs that Duke Energy Carolinas had incurred for the period June 2011 through May 2012 totaling \$7,198,018. Ms. Smith explained that ORS added the

³ Composite Hearing Exhibit 2 consists of the Direct Testimony and Exhibits of Gaby Smith (Exhibits 1-7); and composite Hearing Exhibit 3 consists of the Direct Testimony and Exhibits of Michael R. Cartin (Exhibits 1-10).

Company's estimated under-recovery of (\$109,404) for the month of June 2012, the estimated under-recovery of (\$32,648) for the month of July 2012, the estimated under-recovery of (\$40,891) for the month of August 2012, and the estimated over-recovery of \$120,934 for the month of September 2012. Additionally, ORS added an over-recovery adjustment of \$1,024,804 to reflect the amortization of the U.S. Environmental Protection Agency auction proceeds from emission allowances during the estimated period to arrive at an estimated cumulative over-recovery of \$8,160,813 as of September 2012. Duke Energy Carolinas' rounded cumulative over-recovery for environmental costs, per its testimony in this Docket, as of May 2012 totals \$7,160,000 and as of September 2012, the rounded and estimated cumulative over-recovery totals \$7,099,000. The difference between Duke Energy Carolinas' and the ORS's cumulative over-recovery, as of actual May 2012, totals \$38,018. The difference between Duke Energy Carolinas' and ORS's estimated cumulative over-recovery, as of September 2012, totals \$1,061,813. This difference is primarily due to the Company's inadvertent omission of the amortization of auction proceeds from emission allowances. In the Settlement Agreement the Parties agreed to stipulate to ORS's calculations and adjustments in this matter. Further, the Settlement Agreement exhibits are revised to reflect ORS's adjustments.

Mr. Michael Cartin presented direct testimony for ORS regarding the Company's fuel expenses and power plant operations and sponsored composite Hearing Exhibit 3.⁴ Mr. Cartin testified to ORS's examination of the Company's fossil and nuclear fuel procurement, fuel transportation, environmental reagent purchases, nuclear, fossil and

⁴ See Footnote 3.

hydro generation performance, plant dispatch, forecasting, resource planning, purchased power, and the Company's policies and procedures.

In summary, through the testimony and exhibits presented to the Commission in this proceeding, the Parties represent that settling all issues in this case in accordance with the terms and conditions contained in the Settlement Agreement is just, fair, reasonable and in the public interest. The terms of the Settlement Agreement are summarized as follows:

- (a) The Parties agree to accept recommendations in ORS witness Cartin's testimony and all accounting adjustments as set forth in ORS witness Gaby Smith's pre-filed direct testimony and exhibits.
- (b) The Parties agree that the fuel factors contained in Paragraph 7 of the Settlement Agreement represent the appropriate fuel costs, environmental costs, and combined projected fuel factors for Duke Energy Carolinas to charge for the period beginning with the first billing cycle in October 2012 through the last billing cycle of September 2013 by customer class as set forth in the following table:

Class of Service	SC Base Fuel Factor (cents/kWh)	SC Environmental Factor (cents/kWh)	SC Combined Projected Fuel Factor (cents/kWh)
Residential	1.9489	(0.0008)	1.9481
General/Lighting	1.9489	0.0036	1.9525
Industrial	1.9489	0.0097	1.9586

- (c) The Parties agree that the fuel factors set forth in Paragraph 7 of the Settlement Agreement were calculated consistent with S.C. Code Ann. §

58-27-865 (Supp. 2011). The Parties agree that any and all challenges to Duke Energy Carolinas' historical fuel costs and revenues for the period ending May 2012 are not subject to further review; however, outages not complete as of May 31, 2012, and outages where final reports (Company, contractor or government reports or otherwise) are not available may be subject to further review in the review period during which the outage is completed or when the report(s) become available. Further, that fuel costs for periods beginning on June 1, 2012, and thereafter shall be open issues for determination by the Commission in future fuel cost proceedings and will continue to be trued-up against actual costs in such proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (Supp. 2011).

- (d) The Parties agree that to keep the Parties and Duke Energy Carolinas' customers informed of the over/under-recovery balances related to fuel costs by way of Duke Energy Carolinas' commercially reasonable efforts to forecast the expected fuel factors to be set at its next annual fuel proceeding, the Company will provide SCEUC, ORS, and where applicable, its customers with: (i) copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and (ii) forecasts, in the 4th quarter of the calendar year prior to the next annual fuel proceeding and in the 2nd quarter of the calendar year of the Company's next annual fuel proceeding, of the expected fuel factors to be set at its next annual

fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for uranium, natural gas, coal, oil, and other fuel required for generation of electricity.

IV. FINDINGS OF FACT AND CONCLUSIONS OF LAW

Having heard the testimony of the witnesses and representations of counsel and after careful review of the Settlement Agreement, the Commission finds that approval of the terms set out in the Settlement Agreement is consistent with the standards for fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2011) and is supported by the substantial evidence in the record. The Settlement Agreement's terms allow recovery in a precise and prompt manner while assuring public confidence and minimizing abrupt changes in charges to customers. As such, approval of the Settlement Agreement is in the public interest as a reasonable resolution of the issues in this case. Additionally, we find that the methodology for determining the environmental cost component of the fuel factors used by Duke Energy Carolinas in this proceeding, while not binding in future proceedings, is consistent with the statutory requirements of S.C. Code Ann. § 58-27-865 (Supp. 2011) and is just and reasonable. We further find that the Settlement Agreement's terms provide stabilization to the fuel factors, minimize fluctuations for the near future, and do not appear to inhibit economic development in South Carolina. Additionally, the Commission finds and concludes that the Settlement Agreement affords the Parties with the opportunity to review costs and operational data

in succeeding fuel review proceedings conducted pursuant to S.C. Code Ann. § 58-27-865 (Supp. 2011).

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement attached hereto as Order Exhibit 1, and the pre-filed direct testimony of ORS's witnesses Gaby Smith and Michael R. Cartin, and Duke Energy Carolinas' witnesses Marion Elliott Batson, Joseph A. Miller, Jr., Jim Jessee, David C. Culp, John W. "Bill" Pitesa, and Jane L. McManeus, along with their respective exhibits entered into evidence as composite Hearing Exhibits 2-8, are accepted into the record in the above-captioned case without objection. Lastly, the oral testimony of the above witnesses presented at the hearing on August 28, 2012, is also incorporated into the record of this case.

2. The Settlement Agreement is incorporated into this present Order by reference and attachment and is found to be a reasonable resolution of the issues in this case and to be in the public interest.

3. The fuel purchasing practices, plant operations, and fuel inventory management of Duke Energy Carolinas are reasonable and prudent.

4. Duke Energy Carolinas shall set its fuel factor (excluding environmental costs) at 1.9489 cents per kWh effective for bills rendered on and after the first billing cycle for the month of October 2012 and continuing through the last billing cycle for the month of September 2013.

5. Duke Energy Carolinas shall set its environmental cost component factor at (0.0008) cents per kWh for the Residential customer class, 0.0036 cents per kWh for

the General Service/Lighting customer class, and 0.0097 cents per kWh for the Industrial customer class for bills rendered on or after the first billing cycle for the month of October 2012 and continuing through the last billing cycle for the month of September 2013.

6. The Parties shall abide by all terms of the Settlement Agreement.

7. Duke Energy Carolinas shall file an original of the South Carolina retail Adjustment for Fuel Cost and all other retail tariffs within ten (10) days of receipt of this Order with the Commission and ORS incorporating our findings herein.

8. Duke Energy Carolinas shall comply with the notice requirements set forth in S.C. Code Ann. § 58-27-865 (Supp. 2011).

9. Duke Energy Carolinas shall account monthly to the Commission and ORS for the differences between the recovery of fuel costs through base rates and the actual fuel costs experienced by booking the difference to unbilled revenues with a corresponding deferred debit or credit. ORS shall review the cumulative recovery account.

10. Duke Energy Carolinas shall submit monthly reports, within forty-five (45) days of the end of each month, to the Commission and ORS of fuel costs and scheduled and unscheduled outages of generating units with a capacity of 100 MW or greater.

11. Duke Energy Carolinas shall inform the Parties in the 4th quarter of the calendar year prior to the next annual fuel proceeding and in the 2nd quarter of the calendar year of the Company's next annual fuel proceeding, of the expected fuel factors

to be set at its next annual fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for uranium, natural gas, coal, oil, and other fuel required for generation of electricity.

12. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



David A. Wright, Chairman

ATTEST:



Randy Mitchell, Vice Chairman
(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2012-3-E
August 20, 2012

IN RE:

Annual Review of Base Rates for Fuel Costs)
for Duke Energy Carolinas, LLC) **SETTLEMENT AGREEMENT**

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), the South Carolina Energy Users Committee (“SCEUC”), and Duke Energy Carolinas, LLC (“Duke Energy Carolinas” or “the Company”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (“Commission”) pursuant to the procedures in S.C. Code Ann. § 58-27-865 (Supp. 2011), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of the issues would be in their best interests;

WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling all issues pending in the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witnesses Michael R. Cartin and Gaby Smith, without objection or cross-examination by the Parties. The Parties also agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of Duke Energy Carolinas witnesses Marion Elliott Batson, Jim Jessee, Jane L. McManeus, and John W. Pitesa (includes redacted public and unredacted confidential version of Pitesa Exhibit 3), and the pre-filed direct testimony of Joseph A. Miller, Jr. and David C. Culp without objection or cross-examination by the Parties. The Parties agree that no other evidence will be offered in the proceeding by the Parties other than the stipulated testimony and exhibits and this Settlement Agreement. The Parties agree to present all witnesses at the scheduled hearing in this matter.

2. As a compromise to positions advanced by Duke Energy Carolinas, ORS, and SCEUC, all Parties agree to the proposal set out immediately below, and this proposal is hereby adopted, accepted, and acknowledged as the agreement of the Parties.

3. ORS analyzed the cumulative over-recovery of base fuel costs that Duke Energy Carolinas had incurred for the period June 2011 through May 2012 totaling \$41,792,888. ORS added the estimated over-recovery of \$4,338,782 for the month of June 2012, the estimated over-recovery of \$6,128,348 for the month of July 2012, the estimated over-recovery of \$4,988,187 for the month of August 2012, and the estimated over-recovery of \$625,372 for the month of September 2012, to arrive at an estimated cumulative over-recovery of \$57,873,577 as of September 2012. Duke Energy Carolinas' cumulative over-recovery for base fuel costs, per its testimony in this docket, as of May 2012 totals \$41,792,000, and as of September 2012 the estimated cumulative over-recovery totals

\$57,872,000. The difference between Duke Energy Carolinas' and ORS's cumulative over-recovery as of actual May 2012 totals \$888. The difference between Duke Energy Carolinas' and ORS's estimated cumulative over-recovery as of September 2012 totals \$1,577.

4. ORS analyzed the cumulative over-recovery of environmental costs that Duke Energy Carolinas had incurred for the period June 2011 through May 2012 totaling \$7,198,018. ORS added the estimated under-recovery of (\$109,404) for the month of June 2012, the estimated under-recovery of (\$32,648) for the month of July 2012, the estimated under-recovery of (\$40,891) for the month of August 2012 and the estimated over-recovery of \$120,934 for the month of September 2012. Additionally, ORS added an over-recovery adjustment of \$1,024,804 to reflect the amortization of the U.S. Environmental Protection Agency auction proceeds from emission allowances during the estimated period, to arrive at an estimated cumulative over-recovery of \$8,160,813 as of September 2012. Duke Energy Carolinas' rounded cumulative over-recovery for environmental costs, per its testimony in this Docket, as of May 2012 totals \$7,160,000, and as of September 2012 the rounded and estimated cumulative over-recovery totals \$7,099,000. The difference between Duke Energy Carolinas' and ORS's cumulative over-recovery as of actual May 2012 totals \$38,018. The difference between Duke Energy Carolinas' and ORS's estimated cumulative over-recovery, as of September 2012, totals \$1,061,813.

5. The large difference between ORS's and Duke Energy Carolinas' cumulative balance as of September 2012 is primarily due to the Company's inadvertent omission of the amortization of auction proceeds from emission allowances which serve to offset environmental costs in the estimated months of June 2012 through September 2012. (See McManeus Direct Exhibit 6.) The amortization of these proceeds was also not included in the

Company's forecasted months of October 2012 through January 2013. (See McManeus Direct Exhibit 7.) Accordingly, McManeus Direct Exhibits 6, 7, and 8 have been revised to reflect ORS's adjustments, and are attached to this Settlement Agreement.

6. The Parties agree to accept all recommendations in ORS witness Cartin's testimony and the accounting adjustments as put forth in ORS witness Smith's pre-filed direct testimony related to the over/under-recovery of environmental costs.

7. The appropriate fuel factors for Duke Energy Carolinas to charge for the period beginning with the first billing cycle in October 2012 extending through the last billing cycle of September 2013 are listed below. The SC Combined Projected Fuel Factor represents a decrease from the current combined fuel factor.

Class of Service	SC Base Fuel Factor (cents/kWh)	SC Environmental Factor (cents/kWh)	SC Combined Projected Fuel Factor (cents/kWh)
Residential	1.9489	(0.0008)	1.9481
General/Lighting	1.9489	0.0036	1.9525
Industrial	1.9489	0.0097	1.9586

8. The Parties agree that the fuel factors as set forth in Paragraph 7 above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2011).

9. The Parties agree that in an effort to keep the Parties and Duke Energy Carolinas' customers informed of the over/under recovery balances related to fuel costs and of Duke Energy Carolinas' commercially reasonable efforts to forecast the expected fuel factor to be set at its next annual fuel proceeding, Duke Energy Carolinas will provide to SCEUC, ORS, and where applicable, its customers the following information:

- (a) copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and

- (b) forecasts of the expected fuel factor to be set at its next annual fuel proceeding based upon Duke Energy Carolinas' historical over/under recovery to date and Duke Energy Carolinas' forecast of prices for uranium, natural gas, coal, oil and other fuel required for generation of electricity. Such forecasts will be provided in the 4th quarter of the calendar year prior to the next annual fuel proceeding and in the 2nd quarter of the calendar year of the Company's next annual fuel proceeding. Duke Energy Carolinas will use commercially reasonable efforts in making these forecasts. To the extent that the forecast data required hereunder is confidential, any party or customer that wants forecasted fuel data will have to sign a non-disclosure agreement agreeing to protect the data from public disclosure and to only disclose it to employees or agents with a need to be aware of this information.

10. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of all issues currently pending in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

11. The Parties agree that any and all challenges to Duke Energy Carolinas' historical fuel costs and revenues for the period ending May 2012 are not subject to further review; however, outages not complete as of May 31, 2012 and outages where final reports (Company, contractor or government reports or otherwise) are not available may be subject to further review in the review period in which the outage is complete or when the report(s)

become available. Fuel costs and revenues for periods beginning June 2012 and thereafter shall be open issues in future proceedings and will continue to be tried-up against actual costs in such proceedings held under S.C. Code Ann. § 58-27-865 (Supp. 2011).

12. The Parties agree this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy.

13. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2011). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.”

14. This written Settlement Agreement contains the complete agreement of the Parties. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions held in future proceedings. If the Commission declines to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty, within three (3) days of receiving notice of the decision, by providing written notice of withdrawal via electronic mail to all parties in that time period.

15. This Settlement Agreement shall be effective upon execution of the Parties and shall be interpreted according to South Carolina law.

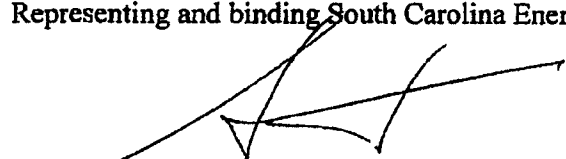
16. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 (Supp. 2011) in any future proceeding. This Settlement Agreement does not establish any precedent with respect to the issues resolved herein, and in no way precludes any Party herein from advocating an alternative methodology under S.C. Code Ann. § 58-27-865 (Supp. 2011) in any future proceeding.

17. This Settlement Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

18. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Settlement Agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.


(Signature Pages Follow)

Representing and binding South Carolina Energy Users Committee:




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DUNE ENERGY CAROLINAS
SOUTH CAROLINA FUEL CLAUSE
2012 ANNUAL FUEL PLING

MCMAHENS EXHIBIT 8 AS ADJUSTED FOR SETTLEMENT
DOCKET NO. 2013-3-E

ACTUAL AND ESTIMATED ENVIRONMENTAL COST AND REVENUES FOR JUNE 2011 - SEPTEMBER 2012
\$000

Line No.	Actual Jun-11	Actual Jul-11	Actual Aug-11	Actual Sep-11	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12	Actual Mar-12	Actual Apr-12	Actual May-12	Estimate Jun-12	Estimate Jul-12	Estimate Aug-12	Estimate Sep-12	16 Month Total
1 SC Environmental Costs Incurred	\$497	\$559	\$570	\$474	\$553	\$525	\$422	\$435	\$242	(\$51)	\$51	\$218	\$590	\$603	\$525	\$404	\$5,658
2 SC Environmental Costs Billed (Inventories/Debitment)	635	683	732	646	630	609	678	752	703	648	620	634	740	624	638	813	\$11,185
3 SC Environmental Costs (Over)/Under Recovery	(\$138)	(\$124)	(\$82)	(\$172)	(\$87)	(\$284)	(\$256)	(\$317)	(\$461)	(\$659)	(\$569)	(\$415)	(\$150)	(\$221)	(\$213)	(\$379)	(\$4,526)
4 Prior Period (Over)/Under (1)	(\$3,595)																
5 ORS Audit Adjustments (2)																	
6 Cumulative SC Environmental Costs (Over)/Under Recovery	(\$3,723)	(\$3,657)	(\$3,919)	(\$4,091)	(\$4,159)	(\$4,442)	(\$4,698)	(\$5,015)	(\$5,475)	(\$6,175)	(\$6,744)	(\$7,199)	(\$7,349)	(\$7,569)	(\$7,782)	(\$8,161)	
7 SC Environmental Costs Cumulative (Over)/Under Recovery Allocated on Firm CP RMA																	
8 Residential	(\$1,659)	(\$1,701)	(\$1,741)	(\$1,809)	(\$1,802)	(\$1,910)	(\$2,044)	(\$2,254)	(\$2,459)	(\$2,797)	(\$3,017)	(\$3,200)	(\$3,362)	(\$3,497)	(\$3,595)	(\$3,781)	
9 General/Lighting	(1,075)	(1,083)	(1,087)	(1,130)	(1,179)	(1,280)	(1,359)	(1,442)	(1,573)	(1,788)	(1,980)	(2,133)	(2,199)	(2,272)	(2,341)	(2,472)	
10 Industrial	(1,023)	(1,064)	(1,082)	(1,159)	(1,178)	(1,253)	(1,297)	(1,300)	(1,414)	(1,591)	(1,746)	(1,884)	(1,889)	(1,889)	(1,885)	(1,907)	
11 Total SC	(\$3,753)	(\$3,857)	(\$3,919)	(\$4,091)	(\$4,159)	(\$4,442)	(\$4,698)	(\$5,015)	(\$5,475)	(\$6,175)	(\$6,744)	(\$7,199)	(\$7,349)	(\$7,569)	(\$7,782)	(\$8,161)	
11 Projected SC MWH Sales from Exhibit 7																	
12 Residential																	6,458,842
13 General/Lighting																	5,026,621
14 Industrial																	8,528,120
15 Total SC																	20,013,583
15 SC Environmental Costs (Over)/Under Recovery p/RMA																	
16 Residential																	(0,0665)
17 General/Lighting																	(0,0404)
18 Industrial																	(0,0223)

(1) Includes economic purchase adjustment and other misc adjustments per Docket 2011-3-E
(2) See Itemization of ORS audit adjustments on Exhibit 8a, 8b and 8c.

[illegible]

DUKE ENERGY CAROLINAS
SOUTH CAROLINA FUEL CLAUSE
2012 ANNUAL FUEL FILING

MCMAHENS EXHIBIT 8b AS ADJUSTED FOR SETTLEMENT
DOCKET NO. 2012-3-E

ACTUAL AND ESTIMATED ENVIRONMENTAL COST AND REVENUES FOR JUNE 2011 - SEPTEMBER 2012 - GENERAL LIGHTING
8000

Line	No.	General Lighting	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	ADJUSTED	ADJUSTED	ADJUSTED	ADJUSTED
1	Summer 2010 Firm Commitment Peak (CP) KWH	1,107,882																			
2	CP %	28.13%	USE FOR CAL YR 2011																		
			Jan-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	ADJUSTED	ADJUSTED	ADJUSTED	ADJUSTED
			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
			Jan-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	ADJUSTED	ADJUSTED	ADJUSTED	ADJUSTED
			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
3	Request Expense	Input	\$2,394	\$2,329	\$2,635	\$2,209	\$2,178	\$1,268	\$1,642	\$1,750	\$1,526	\$781	\$1,189	\$1,630	\$3,253	\$3,343	\$3,444	\$2,663			
4	Emission Allowance Expense	Input	\$75	\$23	\$11	\$2	\$4	\$2	\$21	\$2	(\$1)	\$1	\$1	\$2	\$5	\$6	\$4	\$3			
5	Costs Recovered in US Sales	Input	(\$15)	(\$24)	(\$6)	(\$10)	(\$13)	(\$7)	(\$7)	(\$10)	(\$12)	(\$13)	(\$8)	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)			
6	Gain on EA Sales -AS ADJUSTED OHS #4	Input	(\$515)	(\$156)	(\$42)	(\$363)	\$0	\$0	\$0	\$0	(\$369)	(\$369)	(\$370)	(\$366)	(\$366)	(\$366)	(\$366)	(\$366)			
7	Net Environmental Costs	Sum L3,6,5	\$1,926	\$2,172	\$2,599	\$1,838	\$2,167	\$1,262	\$1,655	\$1,742	\$845	(\$200)	\$192	\$940	\$2,248	\$2,338	\$2,439	\$1,657			
8	SC % of KWH Sales	Input	25.69%	26.76%	26.77%	25.61%	25.98%	25.72%	25.57%	24.95%	25.61%	25.63%	26.36%	26.12%	25.25%	25.76%	25.69%	26.18%			
9	SC Environmental Costs	L7 * L8	\$498	\$559	\$670	\$474	\$553	\$325	\$423	\$435	\$242	(\$51)	\$51	\$219	\$590	\$603	\$627	\$434			
10	GS&L lighting cost allocated by Firm CP*	L9 * L2	\$145	\$163	\$195	\$138	\$164	\$95	\$123	\$128	\$71	(\$19)	\$15	\$64	\$173	\$177	\$184	\$127			
11	SC General Service Lighting KWH Sales	Input	\$30,390	\$53,187	\$78,718	\$52,190	\$67,043	\$47,246	\$60,534	\$65,177	\$42,439	\$30,185	\$43,968	\$44,706	\$505,599	\$463,060	\$463,143	\$554,209			
12	SC General Service Lighting Rate	Input	0.0327	0.0327	0.0327	0.0327	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466	0.0466			
13	SC Environmental Bid	L11 * L12	\$173	\$181	\$189	\$181	\$213	\$196	\$201	\$212	\$202	\$200	\$207	\$206	\$238	\$253	\$253	\$258			
14	SC Environmental Costs (Over)/Under Recovery	L10 - L13	(\$28)	(\$18)	\$6	(\$43)	(\$49)	(\$101)	(\$78)	(\$94)	(\$131)	(\$215)	(\$142)	(\$142)	(\$63)	(\$76)	(\$69)	(\$131)			
15	Prior Period (Over)/Under Recovery* (1)	ENV 6 * Line 2	(\$1,047)																		
16	ONS Adjustments (see below for detail adjustments) **																				
17	Cumulative SC Environmental Costs (Over)/Under Recovery	L14 + L15 + prior L16	(\$1,075)	(\$1,053)	(\$1,087)	(\$1,130)	(\$1,179)	(\$1,280)	(\$1,358)	(\$1,442)	(\$1,573)	(\$1,758)	(\$1,980)	(\$2,133)	(\$2,196)	(\$2,272)	(\$2,341)	(\$2,472)			
18	Projected SC MWH Sales from Exhibit 7 (23ME Sept 2013)	Input																5,826,671			
19	SC Environmental Costs (Over)/Under Recovery #4KWH	L16 / L17 * 100																0.0424			
(1) Includes economic purchase adjustment and other meter adjustments per Docket 2011-3-E																					
Lines 10 and 15 are an allocation of total based on Firm CP KWH.																					

(1) Includes economic purchase adjustment and other rate adjustments per Docket 2011-3-E

* Lines 10 and 15 are an allocation of total based on Firm CP KWH.

** OHS Audit Adjustments, a audit adjustments per 16.02 are OHS Audit 11.8.0111 prior per adjustments - see Exh. 4
#3 Overpayment of Sales Tax on invoice (related to July 11 & August 11 so OHS allocated as if in July 11)
#4 Transportation Error on Amount of EPA Audit Proceeds (gain on SO2 sales) - review period
#5 Netted Local Emissions Payments - review period
Total May Adjustments

General Lighting				Firm CP %				Allocated				Allocated			
Retail				Line 2 above				\$							
May 12 Adj		(85,151)		29.13%				(71,520)							
May 12 Adj		(318,670)		29.34%				(75,477)							
May 12 Adj		(313,227)		29.34%				(73,881)							
		(537,048)													

Order Exhibit 1
Docket No. 2012-3-E
Order No. 2012-779
September 28, 2012
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PROJECTED BILLING PERIOD ENVIRONMENTAL COST FOR OCTOBER 1 2012 - SEPTEMBER 30 2013
\$000

Line No.		Summer 2011 Firm Consistent Peak (CP) KWh		CP %															
						ADJUSTED Oct-12	ADJUSTED Nov-12	ADJUSTED Dec-12	ADJUSTED Jan-13	ADJUSTED Feb-13	ADJUSTED Mar-13	ADJUSTED Apr-13	ADJUSTED May-13	ADJUSTED Jun-13	ADJUSTED Jul-13	ADJUSTED Aug-13	ADJUSTED Sep-13	12 Month Total	
1	Residential	1,581,577		40.77%															
2	General Lighting	1,138,128		29.34%															
3	Industrial	1,159,689		29.89%															
4	Total SC	3,879,394		100.00%															
Environmental Costs																			
5	Reagents	\$2,266					\$2,649	\$3,153	\$4,034	\$3,490	\$3,031	\$2,557	\$2,709	\$3,925	\$4,290	\$4,236	\$3,401	\$39,740	
6	Emission Allowance Expense	2	2					3	31	2	2	2	1	2	3	3	3	3	56
7	Costs Recovered in ICS Sales	(13)	(7)					(7)	(10)	(12)	(13)	(8)	(8)	(8)	(8)	(8)	(8)	(107)	
8	Gain on EA Sales AS ADJUSTED ORS #6	(986)	(986)					(986)	(986)	-	-	-	-	-	-	-	-	(3,946)	
9	Net Environmental Costs	\$1,289	\$1,658					\$2,163	\$3,059	\$3,480	\$3,020	\$2,551	\$2,702	\$3,919	\$4,285	\$4,231	\$3,396	\$35,743	
10	SC % of KWh Sales	26.18%	26.03%					25.33%	24.61%	25.25%	25.28%	26.01%	25.80%	26.02%	25.52%	25.46%	25.98%		
11	SC Environmental Costs	\$332	\$431					\$546	\$755	\$679	\$764	\$664	\$697	\$1,020	\$1,093	\$1,077	\$862	\$9,142	
SC Environmental Costs Allocated on CP KWh Allocated on CP KWh																			
12	Residential																	\$3,727	
13	General Lighting																	2,682	
14	Industrial																	2,733	
15	Total SC																	\$9,142	
16	SC KWh Sales																		
17	Residential																	6,459,842	
18	General Lighting																	5,826,621	
19	Industrial																	8,539,120	
	Total SC																	20,824,583	
20	SC Environmental Costs (KWh)																		
21	Residential																	0.0577	
22	General Lighting																	0.0460	
23	Industrial																	0.0320	

**DUKE ENERGY CAROLINAS
SOUTH CAROLINA FUEL CLAUSE
2012 ANNUAL FUEL FILING**

**MCMANEUS EXHIBIT 8 AS ADJUSTED FOR SETTLEMENT
DOCKET NO. 2012-3-E**

PROJECTED BILLING PERIOD FUEL FACTORS BY CUSTOMER CLASS (OCTOBER 1 2012 - SEPTEMBER 30 2013)

Line No.	Summary	SC Base Fuel Factor from Exhibit 5	SC Environmental Factor from Exhibits 6 and 7	Combined Projected Fuel Factor
1	Residential	1.9489	-0.0008	1.9481
2	General/Lighting	1.9489	0.0036	1.9525
3	Industrial	1.9489	0.0097	1.9586